

SRI KANNAPIRAN MILLS LIMITED



Annual Report
for the year ended March 31, 2017



Sri Kannapiran Mills Limited

Registered Office

MILLS PREMISES
Sowripalayam
Coimbatore - 641 028
CIN : U17111TZ1946PLC000188

Factories

SOWRIPALAYAM
KEMPANAICKENPALAYAM
JADAYAMPALAYAM
ONAPALAYAM
&
KALAPATTI

Board of Directors

KG BAALAKRISHNAN

Chairman

G BAKTHAVATHSALAM

B SRIRAMULU

B SRIHARI

Managing Directors

K N V RAMANI

A VELUSAMY

V ARUNACHALAM

K B NAGENDRA MURTHY

Auditors

M/s M S JAGANNATHAN & VISVANATHAN

Chartered Accountants

Coimbatore

Cost Auditor

M NAGARAJAN

Cost Accountant

Coimbatore

Bankers

INDIAN BANK, Coimbatore

CENTRAL BANK OF INDIA, Coimbatore

THE SOUTH INDIAN BANK LIMITED, Coimbatore

STATE BANK OF INDIA, Coimbatore

INDIAN OVERSEAS BANK, Coimbatore

Sri Kannapiran Mills Limited

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors have pleasure in submitting their Report and the Audited Accounts of the Company for the year ended March 31, 2017.

SUMMARY OF FINANCIAL RESULTS

	(Rs. in lakhs)	
	Year ended March 31,	
	2017	2016
Income	178 42	169 35
Gross Profit before financial charges, depreciation and taxes	23 27	24 56
Less : Financial Charges	8 53	10 38
Depreciation	4 56	4 42
Net Profit/Loss	10 18	9 76
Add : Balance brought forward from last year	-1 35	-8 06
Less : Current Tax (MAT)	203	199
MAT Credit Entitlement	<u>184</u>	<u>194</u>
Deferred Tax Liability	-2 81	-3 00
Income tax for prior years	1	
Balance Carried to Balance Sheet	5 82	-1 35

State of the Company's Affairs

During the period under review, the Company has earned revenue of Rs.17842 lakhs and net profit of Rs.1018 lakhs.

Performance of the Company

The yarn production for the year was 164 lakhs kgs compared to previous year of 163 lakhs kgs. Cotton price was ruled between Rs.107 to Rs.147 per kg and however yarn price was increased by 5 to 10% only during the year compared to previous year. The Company has changed its product mix, increased productivity and using 100% firm private power which is lower than TNEB prices. These measures helped the Company to maintain profits in spite of increase in cotton price.

The Company has achieved Gross profit of Rs.2327 lakhs compared to previous year of Rs.2456 lakhs and net profit of Rs.1018 lakhs compared to last year of Rs.976 lakhs.

Industry Structure & Developments

India's textile sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 15 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers.

The textile industry employs about 51 million people directly and 68 million people indirectly. India's overall textile exports during FY 2015-16 stood at US\$ 40 billion.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

The Indian textiles industry, currently estimated at around US\$ 120 billion, is expected to reach US\$ 230 billion by 2020. The Indian Textile Industry contributes approximately 4 per cent to India's Gross Domestic Product (GDP), and 14 per cent to overall Index of Industrial Production (IIP). Indian exports of locally made retail and lifestyle products grew at a compound annual growth rate (CAGR) of 10 per cent from 2013 to 2016, mainly led by bedding bath and home decor products and textiles. The Government of India targets textile and garment sector exports at US\$ 45 billion for 2017-18.

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route.

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players. The apparel market in India is estimated to grow at a Compound Annual Growth Rate (CAGR) of 11.8 per cent to reach US\$ 180 billion by 2025.

 **Sri Kannapiran Mills Limited**

The Indian cotton textile industry is expected to showcase a stable growth in FY 2017-18, supported by stable input prices, healthy capacity utilisation and steady domestic demand.

India is the second largest producer of cotton accounting for 25% of the global cotton area and contributes to 18% of the global cotton production. The expected cotton production for 2016-17 is 351 lakhs bales compared to previous year of 338 lakhs bales and the expected exports of cotton for the year will be 50 lakhs bales compared previous year of 69 lakhs bales.

The demand and margin for Ring yarn was not improved during the current year and Open end yarn demand and margin continues to be lower. Power position in Tamil Nadu was favourable during the year.

The textile industry has suggested various measures to improve the performance of textile mills in India to Government of India for stabilizing cotton prices, good infrastructure to improve the movement of goods at low cost, lower power cost and Bank interest rate.

The company is able to sell its products in view of varied product mix viz., Compact yarn, Slub yarn, Gassed mercerized yarn, polyester yarn, denim yarn and glove yarn. The Company had exported Rs.17 crores during the year. The Company had own depots, dealer net work at various places in India to meet the end user's requirements immediately.

Opportunities & Threats

Indian textile industry is highly depending on availability of domestic cotton at a competitive price. Expected increase in overseas yarn demand and apparel segments demand due to improved spending pattern of Indian will help to improve sales and profitability.

The continuing high interest rates and labour shortage will slow down the growth of textile mills in India.

Listing

Your Company's shares were listed in Madras Stock Exchange Limited. However in view of approval of voluntary de-recognition of Madras Stock Exchange by SEBI, our company ceased to be a listed company with effect from 9.1.2015 and our company shares has been placed on the Dissemination Board of NSE. As per SEBI Circular No. SEBI/HO/MRD/DSA/CIR/P/2016/110 dated 10.10.2016, the Company is required to either list its shares on the nationwide stock exchange or provide exit opportunity to its public shareholders by the promoters. Accordingly the promoters have provided an exit opportunity to all the public shareholders to acquire their shares at Rs.150 per share based on valuation determined by Keynote Corporate Services Limited, Mumbai, a category I Merchant Banker and an empaneled Registered valuer on NSE. This exit offer by promoters is open up to 20.07.2018.

Segment wise or product wise performance

The Company is engaged in the business of manufacture and export of yarn and accordingly this is the only Single Reportable Segment.

Outlook

The Company expects to improve its operational and financial performance during the current year by achieving full utilization, increased productivity, better product mix and power management.

Risk and concerns

Cotton being an agriculture product, is the key raw material used for manufacture of cotton yarn, the cultivation is dependent on monsoon. Availability of quality cotton at right prices is crucial for the profitability of the Company. Higher Bank interest rates and increased labour cost coupled with shortage of labour will be major concern for our company.

Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

Board Meeting

The Board met 8 times and the meetings were held on 26.05.2016, 18.06.2016, 29.06.2016, 09.07.2016, 16.08.2016, 18.11.2016, 06.02.2017 and 27.03.2017. The number of meetings directors attended are as follows.

 **Sri Kannapiran Mills Limited**

Name of the Director	Category	No. of Meetings held	No. of Meetings Attended
Mr K G Baalakrishnan	Chairman	8	8
Dr G Bakthavathsalam	Executive, Managing Director	8	3
Mr B Sriramulu	Executive, Managing Director	8	5
Mr B Srihari	Executive, Managing Director	8	8
Mr A Velusamy	Non-Executive	8	8
Mr K N V Ramani	Independent, Non-Executive	8	8
Mr R Mahadevan*	Independent, Non-Executive	8	6
Mr V Arunachalam	Independent, Non-Executive	8	6
Mr K B Nagendra Murthy#	Independent, Non-Executive	-	-

*Resigned on 27.03.2017 #Appointed on 27.03.2017

Audit Committee Meeting

The Audit Committee Meeting held on 18.06.2016, 16.08.2016, 18.11.2016 and 06.02.2017. Composition of the Audit Committee as on 31st March, 2017 and the attendance during the year are as under :

Name of the Director	Position	Category	No. of Meetings held	No. of Meetings Attended
Mr K N V Ramani	Member	Independent, Non-Executive	4	4
Mr R Mahadevan	Member	Independent, Non-Executive	4	4
Mr A Velusamy	Member	Non-Executive	4	3
Mr K B Nagendra murthy*	Member	Non-Executive	-	-

*Appointed on 17.06.2017

Nomination & Remuneration Committee Meeting

The Nomination & Remuneration Committee Meeting held on 27.03.2017. Composition of the Nomination & Remuneration Committee as on 31st March, 2017 and the attendance during the year are as under:

Name of the Director	Position	Category	No. of Meetings held	No. of Meetings Attended
Mr K N V Ramani	Member	Independent, Non-Executive	1	1
Mr R Mahadevan	Member	Independent, Non-Executive	1	-
Mr A Velusamy	Member	Non-Executive	1	1
Mr K B Nagendra Murthy*	Member	Independent, Non-Executive	-	-

*Appointed on 17.06.2017

Risk Management Committee Meeting

The Risk Management Committee Meeting held on 06.02.2017. Composition of the Risk Management Committee as on 31st March, 2017 and the attendance during the year are as under:

Name of the Director	Position	Category	No. of Meetings held	No. of Meetings Attended
Mr B Srihari	Chairman	Non-Executive	1	1
Mr A Velusamy	Member	Non-Executive	1	1
Mr G Krishnakumar	Member	Chief Financial Officer	1	1

Independent Directors Meeting

Independent Director's Meeting held on 27.03.2017. Composition of the Independent Director's as on 31st March, 2017 and the attendance during the year are as under:

Name of the Director	No. of Meetings held	No. of Meetings Attended
Mr K N V Ramani	1	1
Mr R Mahadevan	1	-
Mr V Arunachalam	1	1

Directors' responsibility statement

In compliance of Section 134(5) of the Companies Act, 2013 the Directors of Your Company confirms:-

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the directors had prepared the annual accounts on a going concern basis; and
- v) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Statement on Declaration given by Independent Directors under Sub-Section (7) of Section 149 of the Companies Act, 2013

The independent directors have submitted the declaration of independence, as required pursuant to section 149(7) of the Companies Act, 2013 stating that they meet the criteria of independence as provided in sub-section(6).

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of the following members namely Mr K N V Ramani, Mr A Velusamy and Mr K B Nagendra Murthy.

Scope

1. Brief description of terms of reference:
2. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board for their appointment and removal;
3. Carry on the evaluation of every director's performance;
4. Formulation of the criteria for determining qualifications, positive attributes and independence of a director;
5. Recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
6. Formulation of criteria for evaluation of Independent Directors and the Board;
7. Devising a policy on Board diversity; and
8. Any other matter as the Board may decide from time to time.

Nomination and Remuneration policy

The objectives of the Policy

1. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.

2. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies.
3. To carry out evaluation of the performance of Directors.
4. To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
5. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

Particulars of Loans, Guarantees or Investments:

The company has not given any Loans. The details of Guarantee and Investments made during the Financial Year ended on 31st March, 2017 are given in the notes to Financial Statements in compliance with the provisions of section 186 of the Companies Act, 2013 read with Companies (Meeting of Board and its Powers) Rules, 2014.

There is no subsidiary or associates and joint ventures as per the provisions of Section 129 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014. Hence Form AOC-1 is not applicable to the Company.

Particulars of Contracts and Arrangements with Related Parties Referred to in Sub-Section (1) of Section 188 of Companies Act, 2013

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business.

The details of the related party transactions, as per requirement of Accounting Standards-18 are disclosed in notes to the financial statements of the Company for the financial year 2016-17. All the directors have disclosed their interest in Form MBP-1 pursuant to Section 184 of the Companies Act, 2013 and as & when any changes in their interest take place, such changes are placed before the Board at its meetings. None of the transactions with any of the related parties was in conflict with the interest of the Company. A statement in the prescribed Form AOC-2 is annexed to this report.

Further there were no material related party transaction with the Promoters, Directors or Key Managerial Personnel during the year.

All related party transaction are placed before the Audit Committee as also to the Board for approval on a quarterly basis. Omnibus approval was obtained for transaction of repetitive nature.

Transfer of Amount to Reserves

The Company does not propose to transfer any amount to the general reserve for the Financial Year ended 31st March, 2017.

Extracts of Annual Return

The extracts of Annual Return is prepared in Form MGT-9 as per the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 and the same is enclosed to this Report.

The Conservation of Energy, Technology absorption, Foreign Exchange Earnings and Outgo pursuant to provisions of Section 134(3)(m) of the Companies, Act, 2013 (Act) read with the Companies (Accounts) Rules, 2014.

Information with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 134(3)(m) of the Act read with the Companies (Accounts) Rules, 2014 is prepared and the same is enclosed as annexure to the Report.

Risk Management Committee

Risk Management Committee consists of the following persons namely Mr B Srihari, Chairman, Mr A Velusamy and Mr G Krishnakumar as members.

The Committee had formulated a Risk Management Policy for dealing with different kinds of risks which it faces in day to day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat the risk. The Risk management procedure is reviewed by the Audit Committee and Board of Directors on a Quarterly basis at the time of review of Quarterly Financial Results of the Company.

Corporate Social Responsibility Committee

Corporate Social Responsibility is commitment of the Company to improve the quality of life of the workforce and also the community and society at large. The Company believes in undertaking business in such a way that it leads overall development of all stakeholders and society.

The Board of Directors of the Company has constituted Corporate Social Responsibility Committee consisting of the following persons namely Mr KG Baalakrishnan, Mr K N V Ramani and Mr A Velusamy as members and adopted policy for Corporate Social Responsibility.

Corporate Social Responsibility policy was adopted by the Board of Directors on the recommendation of Corporate Social Responsibility Committee.

The Report on Corporate Social Responsibility (CSR) as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is attached.

Directors

Mr R Mahadevan, Independent Director resigned from the Board on 27.03.2017. The Board placed on record the valuable services rendered by him. Mr K B Nagendra Murthy was appointed as an Additional Director by the Board on 27.03.2017. He is seeking election as an Independent Director at the ensuing Annual General Meeting.

Mr KG Baalakrishnan and Mr B Sriramulu, Directors retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

Statutory Auditors

M/s M S Jagannathan & Visvanathan, Chartered Accountants (ICAI Regn. No. 001209S), Statutory Auditors of the Company would retire on the conclusion of this Annual General Meeting on completion of their term of appointment.

Since M/s. M S Jagannathan & Visvanathan, Chartered Accountants are not eligible for reappointment as Statutory Auditors of the Company as per Companies Act, 2013, the Board of Directors on recommendation of the Audit Committee, recommended the appointment of M/s Gopalaiyer and Subramanian, Chartered Accountants, (Firm Registration No.000960S) as Statutory Auditors of the Company for a term of 5 years, in place of M/s. M S Jagannathan & Visvanathan to hold office from the conclusion of 71st Annual General Meeting until the conclusion of 76th Annual General Meeting, subject to ratification of their appointment at every Annual General Meeting. Consent and certificate from the said firm has been received to the effect that their appointment as Statutory Auditors of the Company, if appointed at ensuing Annual General Meeting, would be according to the terms and conditions prescribed under Section 139 of the Act and Rules framed thereunder.

A resolution seeking their appointment forms part of the Notice convening the 71st Annual General Meeting and the same is recommended for your consideration and approval.

The Board places on record its appreciation for the contribution of M/s M S Jagannathan & Visvanathan, Chartered Accountants, during their tenure as the Statutory Auditors of the Company.

Auditor's Report:

M/s. M S Jagannathan & Visvanathan, Chartered Accountants (ICAI Regn. No.001209S) have issued Auditors Report for the Financial Year ended 31st March, 2017 and there are no qualifications in Auditors' Report.

Vigil mechanism / Whistle blower policy:

The Board of Directors have adopted a Whistle Blower Policy which is hosted on the company's website. The Whistle Blower Policy aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. All permanent employees of the Company are covered under the Whistle Blower Policy.

A mechanism has been established for employees to report concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct and Ethics. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism and allows direct access to the Chairperson of the Audit Committee in exceptional cases.

Policy on Sexual Harassment

The Company has adopted policy on Prevention of Sexual Harassment of Women at Workplace in accordance with The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. During the financial year ended 31st March, 2017, the Company has not received any complaints pertaining to sexual harassment.

Finance

Your Directors acknowledge with gratitude, the valuable assistance and support extended by our Bankers for term loans and working capital ie., Indian Bank, State Bank of Travancore, The South Indian Bank Limited, State Bank of India, Central Bank of India and Indian Overseas Bank.

Internal control systems and their accuracy

The Company has a proper and adequate internal control system to ensure that all the assets are safe guarded and protected against the loss from unauthorised use or disposition and that all transactions are authorised, recorded and reported correctly.

The internal control is supplemented by an extensive programme of internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

Material changes and commitments

There are no Material changes and commitments in the business operations of the Company from the Financial year ended 31st March, 2017 to the date of signing of the Director's Report.

Personnel

The Industrial relations were cordial during the year under review.

Particulars of Employees

During the year under review there were no employees in receipt of remuneration covered by Section 197(12) read with Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Acknowledgement

Your Directors place on record their sincere thanks to the Banks for their continued support and also express their appreciation for the co-operation extended by the employees at all levels.

Our prayers to Lord Then Thirumalai Shri Venkatachalapathy, Lord Muruga and Goddess Sri Saradambal for the continued prosperity of the Company.

For and on behalf of the Board

Coimbatore
04.08.2017

KG Baal Krishnan
Chairman
DIN : 00002174

ANNEXURE I TO THE DIRECTORS' REPORT

The Conservation of Energy, Technology absorption, Foreign Exchange Earnings and Outgo pursuant to provisions of Section 134(3)(m) of the Companies, Act, 2013 read with the Companies (Accounts) Rules, 2014.

A. Conservation of Energy

- (i) The steps taken or impact on conservation of energy;
The Company has invested in optimisation waste evacuation systems, modification of Humidification system, optimisation of Air compressor, Replacement of old spindles in spinning machines to reduce energy consumption. These have resulted in savings of power considerably.
- (ii) The steps taken by the company for utilising alternate sources of energy;
The Company is studying the proposal of installation of solar power generators to get low cost power.
- (iii) The capital investment on energy conservation equipments;
The Company has invested Rs.39 lakhs in energy conservation equipments during the year.

B. Technology absorption

- (i) The efforts made towards technology absorption;
Indigenous technology is only used.
- (ii) The benefits derived like product improvement, cost reduction, product development or import substitution;
Company's own Research and Development department continues its activities in the field of process control, quality improvement, product development /diversifications and cost reduction resulting in considerable improvement in productivity and quality.
- (iii) Details of technology imported during the last three years : Nil
 - (a) The details of technology imported;
 - (b) The year of import;
 - (c) Whether the technology been fully absorbed;
 - (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof
- (iv) The expenditure incurred on Research and Development.
The Company is having its own Research and Development department and its expenses have been included in employee cost and other expenses.

C Foreign Exchange Earnings and Outgo

The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.

Used	Rs. 514 lakhs
Earned	Rs. 1626 lakhs

For and on behalf of the Board

Coimbatore
04.08.2017

KG Baal Krishnan
Chairman
DIN : 00002174

Sri Kannapiran Mills Limited

Report on Corporate Social Responsibility (CSR) as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014

ANNUAL REPORT DETAILS OF THE CSR ACTIVITIES

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.
 The CSR Policy is available on the Company's website. The web link of the same is www.kannapiran.co.in
 A gist of the programs that the Company can undertake under the CSR policy is mentioned below.
 The Company had proposed to undertake activities relating to rural development including livestock development, community irrigation, water conservation, etc. for the Financial Year 2016-17.
 The activities and funding are monitored internally by the Company.
2. The Composition of the CSR Committee.
 Shri KG Baalakrishnan (Chairman);
 Shri K N V Ramani (Independent Director);
 Shri A Velusamy (Director).
3. Average net profit of the Company for last three Financial Years.
 The average Net Profit for the last three years is Rs.566.60 lakh.
4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above).
 The Company is required to spend Rs.11.33 lakh towards CSR for the Financial Year 2016-17.
5. Details of CSR spent during the Financial Year.
 - a. Total amount spent in the financial year : Rs. 12.67 lakhs (Rs 11.45 lakhs for 2016-17 & Rs 1.22 lakhs for 2015-16 (balance)).
 - b. Amount unspent, if any : Nil
 - c. Manner in which the amount spent during the financial year detailed below:

(Rs. in Lakhs)

(1) Sr. No	(2) CSR Project or activity identified	(3) Sector in which the project is covered	(4) Projects or programs (1) Local area or other (2) specify the State and District where projects or programs were undertaken	(5) Amount outlay (budget) project or programs wise	(6) Amount spent on the projects or programs Sub-heads : 1) Direct expenditure on projects 2) Overheads :	(7) Cumulative expenditure upto the reporting period	(8) Amount spent : Direct or through implementing agency
1	P.S.G Ganga Naidu & Sons Charities Coimbatore	Employment enhancing vocational skills and promotion of education including investment in technology in schools;	Coimbatore, Tamilnadu	1.24	1.24		Thro' P.S.G Ganga Naidu & Sons Charities, Coimbatore.
2	World People Welfare Trust, Coimbatore	Skill Development	Coimbatore, Tamilnadu	0.20	0.20		Thro' World People Welfare Trust, Coimbatore
3	The District Collector, Erode	Environmental sustainability	Erode	1.00	1.00		Thro' District Collector, Erode
4	Transfer to Sri Kannapiran Mills Trust Foundation			10.23	10.23	12.67	Through Sri Kannapiran Mills Trust Foundation

6. In case the Company has failed to spend the two percent of average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.
 The Company has fully spent the CSR expenses for 2016-17 as detailed above. The Company has transferred Rs. 10.23 lakhs to Sri Kannapiran Mills Trust Foundation. Sri Kannapiran Mills Trust Foundation is a trust set up exclusively for CSR activities. The said Trust is in the process of identifying specific approved CSR projects where the amount would be spent.
7. Pursuant to the Companies (Corporate Social Responsibility Policy) Rules, 2014, we hereby confirm that the CSR Committee has implemented and monitored the CSR initiatives in line with CSR Objectives and Policy of the Company.

KG Baalakrishnan
Chairman

Date : 04.08.2017
Place : Coimbatore

DIN : 00002174
Chairman of CSR Committee

Sri Kannapiran Mills Limited

Contents of CSR Policy

(Approved by the Board of Directors on 04.06.2015)

Our aim is to be one of the most respected Companies in India delivering superior and sustainable value to all our customers, business partners, shareholders, employees and host communities.

The CSR initiatives focused on holistic development of host communities and create social, environmental and economic value to the society.

The Company's commitment to CSR projects and programmes will be by investing resources into any of the following areas.

- Improving the quality of life in rural areas;
- Eradicating hunger, poverty and malnutrition;
- Promoting healthcare including preventive healthcare;
- Employment enhancing vocational skills;
- Promotion of education including investment in technology in schools;
- Ensuring environmental sustainability including measures for reducing inequalities faced by socially and economically backward groups;
- Promoting sports including rural and Olympic sports;
- Contribution to funds for promoting technology;
- Investing in various rural development projects;
- Contributing to the Prime Minister's National Relief Fund or any other fund setup by the Central Government for development and relief; and
- Other areas approved by CSR Committee that are covered in the CSR Rules as amended from time to time.

FORM NO. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

There were no contracts or arrangements or transactions not at arm's length basis

2. Details of material contracts or arrangement or transactions at arm's length basis

S. No.	Name of the related party and nature of relationship	Nature of Contracts/arrangements/transactions	Duration of the contracts/arrangements/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Date(s) of approval by the Board, if any	Amount paid as advances if any
1.	KG Denim Limited Section 2(76)(v) Public Company in which a directors holds along with his relatives more than 2% of its paid up share capital.	Conversion contract	3 years till 25.09.2018	Conversion of cotton / fibre into yarn covered under Section 188(1)(d) of Companies Act, 2013. For the year 2016-17 Conversion charges (receipt) Rs.2598.34 lakhs	18.06.2016, 16.08.2016, 18.11.2016, 06.02.2017	Nil
2.	KG Fabriks Limited Section 2(76)(v) Public Company in which a director holds along with his relatives more than 2% of its paid up share capital.	Conversion contract	3 years till 25.09.2018	Conversion of cotton / fibre into yarn covered under Section 188(1)(d) of Companies Act, 2013. For the year 2016-17 Conversion charges (receipt) Rs.2475.91 lakhs	18.06.2016, 16.08.2016, 18.11.2016, 06.02.2017	Nil

Coimbatore
04.08.2017

For and on behalf of the Board
KG Baal Krishnan
Chairman
DIN : 00002174

Sri Kannapiran Mills Limited

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2017

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U17111TZ1946PLC000188
2.	Registration Date	02/07/1946
3.	Name of the Company	Sri Kannapiran Mills Limited
4.	Category/Sub-category of the Company	Textiles
5.	Address of the Registered office & contact details	Post Bag No.1, Sowripalayam, Coimbatore – 641 028. Phone No. 0422-3019111
6.	Whether listed company	No
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	-----

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S.No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Cotton Spinning in Mills	2351	100.00%
2			
3			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY

S.No.	Name and Address of the company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable Section
NIL					

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

A) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2016]				No. of Shares held at the end of the year[As on 31-March-2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	-	2132698	2132698	57.91	-	2722788	2722788	74.88	Nil
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	-	519730	519730	14.11	-	519730	519730	14.29	Nil
e) Banks / FI									
f) Any other									
Total shareholding of Promoter (A)	-	2652428	2652428	72.02	-	3242518	3242518	89.17	Nil



Sri Kannapiran Mills Limited

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2015]				No. of Shares held at the end of the year[As on 31-March-2016]				% Change
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. Public Shareholding									
1. Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) Bodies Corp.	-	3600	3600	0.10	-	3696	3696	0.10	Nil
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	285119	285119	7.74	-	215964	215964	5.94	Nil
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	-	741733	741733	20.14	-	174301	174301	4.79	Nil
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non Resident Indians	-	-	-	-	-	-	-	-	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies – D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-	1030452	1030452	27.98	-	393961	393961	10.83	Nil
Total Public Shareholding (B)=(B)(1)+ (B)(2)	-	1030452	1030452	27.98	-	393961	393961	10.83	Nil
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	3682880	3682880	100	-	3636479	3636479	100	Nil

Note : During the year, the Company bought back 46,401 shares from the public shareholders under Section 68 of the Companies Act, 2013 which resulted in the total no. Shares and relevant percentage. Promoters have been reclassified on 27.03.2017.



Sri Kannapiran Mills Limited

B) Shareholding of Promoter-

S. No (1)	Shareholder's Name (2)	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year (9)
		No. of Shares (3)	% of total Shares of the company (4)	% of Shares Pledged / encumbered to total shares (5)	No. of Shares (6)	% of total Shares of the company (7)	% of Shares Pledged / encumbered to total shares (8)	
1	Mr KG Baalakrishnan	507375	13.78	-	507375	13.95	-	Nil
2	Mrs B Sathyabama	280742	7.62	-	280742	7.72	-	Nil
3	Mr B Srihari	175368	4.76	-	175368	4.82	-	Nil
4	Mr B Sriramulu	175040	4.75	-	175040	4.81	-	Nil
5	Mrs Deepika Karthikeyan	800	0.02	-	800	0.02	-	Nil
6	Master Pranav Ram	105702	2.87	-	105702	2.91	-	Nil
7	Baby Aadya Srihari	108174	2.94	-	108174	2.97	-	Nil
8	Mrs T Anandhi	134285	3.65	-	134285	3.69	-	Nil
9	Dr G Bakthavathsalam	151607	4.12	-	151607	4.17	-	Nil
10	Mrs B Dhanalakshmi	26550	0.72	-	26550	0.73	-	Nil
11	Mr B Ashok	32000	0.87	-	32000	0.88	-	Nil
12	Mrs R Vasanthi	31680	0.86	-	31680	0.87	-	Nil
13	Mrs B Dhanalakshmi	16000	0.43	-	16000	0.44	-	Nil
14	Dr G Bakthavathsalam	19616	0.53	-	19616	0.54	-	Nil
15	Dr G Bakthavathsalam	19600	0.53	-	19600	0.54	-	Nil
16	Mr G Kannappan	17981	0.49	-	17981	0.49	-	Nil
17	Mr G Ramaswamy	99333	2.7	-	99333	2.73	-	Nil
18	Mrs R Shantahmani	35488	0.96	-	35488	0.97	-	Nil
19	Mr G Ramaswamy	28000	0.76	-	28000	0.77	-	Nil
20	Mr G Vijayakumar	9673	0.26	-	9673	0.27	-	Nil
21	Mr D Balasundaram	59168	1.61	-	59168	1.63	-	Nil
22	Mr D Balasundaram	10	0	-	10	0	-	Nil
23	Mrs B Amirthalakshmi	97606	2.65	-	97606	2.68	-	Nil
24	Mrs B Neelaveni	900	0.02	-	900	0.02	-	Nil
25	Crocodile (India) Private Limited	500000	13.58	-	500000	13.75	-	Nil
26	G R V Investments Private Limited	350	0.01	-	350	0.01	-	Nil
27	G V Investments Private Limited	350	0.01	-	350	0.01	-	Nil
28	G K Investments Private Limited	300	0.01	-	300	0.01	-	Nil
29	Sri Selvavinayagar Investment Private Ltd	1792	0.05	-	1792	0.05	-	Nil
30	Sri Ranganathaswamy Investment Private Ltd	1400	0.04	-	1400	0.04	-	Nil
31	Sree Manneswaraswamy Investments Private Ltd	800	0.02	-	800	0.02	-	Nil
32	Coimbatore Capital Ltd	150	0	-	150	0	-	Nil
33	KG Fabriks Limited	10000	0.27	-	10000	0.27	-	Nil
34	K G Denim Limited	4588	0.12	-	4588	0.13	-	Nil



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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
35	Mrs Niketana Thulasidharan				73228	2.01	-	Nil
36	Mr Sailendra				73228	2.01	-	Nil
37	Mr G Kannappan				47504	1.31	-	Nil
38	Mr G Kannappan				40048	1.10	-	Nil
39	Mrs K Krithika				42592	1.17	-	Nil
40	Mrs V Geethalakshmi				19104	0.53	-	Nil
41	Mrs V Sanjana				16400	0.45	-	Nil
42	Mrs V Saritha Santhanalakshmi				17600	0.48	-	Nil
43	Mrs V Geethalakshmi				16000	0.44	-	Nil
44	Mrs V Geethalakshmi				32960	0.91	-	Nil
45	Mr G Vijayakumar				16600	0.46	-	Nil
46	Mr G Vijayakumar				20000	0.55	-	Nil
47	Mrs G Seethalakshmi				66666	1.83	-	Nil
48	Mr B Aditya Venkataswamy				65344	1.80	-	Nil
49	Mr D Balasundaram				36128	0.99	-	Nil
50	Mr D Balasundaram				6688	0.18	-	Nil

C) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	NIL	-	-	-	-

D) Shareholding Pattern of top ten Shareholders:

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	S B V Guptha	92727	2.52	92727	2.55
2	Kalamanisouandar	43426	1.18	43426	1.19
3	C D Kumaravel	22178	0.60	22178	0.61
4	S Gopinath Transfer 09.01.2017 Transfer 31.03.2017 At the end of the year	13770 200 2000	0.37 0.00 0.05	13770 13970 15970	0.38 0.38 0.44
5	Usha Umaphathi	8800	0.24	8800	0.24
6	V Krishnaveni	4960	0.13	4960	0.14
7	K S Sundaram Iyer	4500	0.12	4500	0.12
8	Mahendra Girdharlal	4472	0.12	4472	0.12
9	A Natesan Chettiar	4000	0.11	4000	0.11
10	Sundaram	2992	0.08	2992	0.08

E) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr KG Baal Krishnan	507375	13.78	507375	13.78
2	Dr G Bakthavathsalam	151607	4.12	151607	4.12
3	Mr B Sriramulu	175040	4.75	175040	4.75
4	Mr B Srihari	175368	4.76	175368	4.76
5	Mr A Velusamy	800	0.02	800	0.02
6	Mr K N V Ramani	1516	0.04	1516	0.04
7	Mr R Mahadevan	50	0	0	0
8	Mr V Arunachalam	Nil	Nil	Nil	Nil
9	Mr K B Nagendra Murthy	Nil	Nil	Nil	Nil

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V) INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	59 58 77 406	12 25 000	-	59 71 02 406
ii) Interest due but not paid	33 33 110	-	-	33 33 110
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	58 35 38 457	12 25 000	-	58 47 63 457
Change in Indebtedness during the financial year				
* Addition	3 78 04 641	-	-	3 78 04 641
* Reduction	14 55 87 604	-	-	14 55 87 604
Net Change	10 77 82 963	-	-	10 77 82 963
Indebtedness at the end of the financial year				-
i) Principal Amount	49 79 19 252	12 25 000	-	49 91 44 252
ii) Interest due but not paid	22 86 017	-	-	22 86 017
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	50 02 05 269	12 25 000	-	50 14 30 269

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN.	Particulars of Remuneration	Name of MD / WTD / Manager			Total Amount
		B Sriramulu	B Srihari	Dr G Bakthavathsalam	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	6 00 000	6 00 000	6 00 000	18 00 000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	1 62 000	1 62 000
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission - as % of profit - others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total (A)	6 00 000	6 00 000	7 62 000	19 62 000
	Ceiling as per the Act				

B. Remuneration to other directors

SN.	Particulars of Remuneration	Name of Directors			Total Amount
		----	----	----	
1	Independent Directors	K N V Ramani	R Mahadevan	V Arunachalam	
	Fee for attending board committee meetings	65500	45000	35000	145500
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)	65500	45000	35000	145500
2	Other Non-Executive Directors	KG Baalakrishnan			
	Fee for attending board committee meetings	40000	-	-	40000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (2)	40000	-	-	40000
	Total (B)=(1+2)	105500	45000	35000	185500
	Total Managerial Remuneration				185500
	Overall Ceiling as per the Act				

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

SN	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO	Total
1	Gross salary	-	-	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	7.35	7.35
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit	-	-	-	-
	others, specify...	-	-	-	-
5	Others, please specify	-	-	-	-
	Total	-	-	7.35	7.35

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

There is no penalties, punishment or compounding of offence during the year ended 31st March 2017.

Sri Kannapiran Mills Limited

INDEPENDENT AUDITORS' REPORT

To

The Members of M/s. Sri Kannapiran Mills Limited

Report on the Financial Statements:

We have audited the accompanying financial statements of Sri Kannapiran Mills Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

The Company's Board Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2017 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements:

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

 **Sri Kannapiran Mills Limited**

2. As required by section 143(3) of the Act, we report that:
- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts), Rules 2014;
 - e. On the basis of written representations received from the directors as on 31 March 2017, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017, from being appointed as a director in terms of Section 164(2) of the Act;
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in “**Annexure B**”; and
 - g. With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed its pending litigations in Note no 18 under Additional Information.
 - ii. The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. As the Company has not declared any dividends in the earlier years, transferring of dividends to Investor Education and Protection Fund does not arise.
 - iv. The Company has provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the Company.

For **M S Jagannathan & Visvanathan**

Chartered Accountants

Firm Reg. No. 001209S

(Sd/-) M V Jeganathan

Partner

Membership No.214178

Place : Coimbatore

Date : 04.08.2017

Annexure A to the Independent Auditor's Report

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31st March 2017, we report that;

1. a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the period and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed proved to us, we report that, the title deeds, comprising all the immovable properties which are freehold, are held in the name of the company as at the balance sheet date. Immovable properties of whose title deeds have been pledged as security for borrowings taken from Banks are held in the name of the Company based on the confirmations received from Banks.
2. a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
c) In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification as compared to the book records.
3. During the year, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013 and hence, Clause (b) and (c) is not applicable.
4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act, with respect to the investments made.
5. The Company has not accepted any deposits from the public and as such clause 3(v) of the Order is not applicable.
6. We have broadly reviewed the cost records maintained by the company specified by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, as applicable to the company, and are of the opinion that prima facie the specified cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
7. a) According to the information and explanations given to us the company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State insurance, Income tax, Service Tax, Value Added Tax, and any other statutory dues with the appropriate authorities during the year.

According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March 2017 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no dues of Income tax, Service tax or Value added tax which have not been deposited with the appropriate authorities on account of any dispute.
8. In our opinion and according to the information and explanation given to us, the company has not defaulted in repayment of dues to any of the banks.

Sri Kannapiran Mills Limited

9. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments). In respect of term loans borrowed, the same has been applied for the purpose for which it was borrowed.
10. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year that causes the financial statements to be materially misstated.
11. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
12. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, clause 3(xii) of the Order is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with Directors or persons connected with him. Accordingly paragraph 3(xv) of the Order is not applicable.
16. The Company is not required to be registered under section 45-1A of the Reserve Bank of India Act 1934.

For **M S Jagannathan & Visvanathan**
Chartered Accountants
Firm Regd. No. 001209S

(Sd/-) M V Jeganathan
Partner
Membership No.214178

Place : Coimbatore
Date : 04.08.2017

Annexure B to the Auditor's Report

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Sri Kannapiran Mills Ltd** as of **31st March 2017** in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reports were operating effectively as at **31st March 2017**, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **M S Jagannathan & Visvanathan**
Chartered Accountants
Firm Regd. No. 001209S

(Sd/-) M V Jeganathan
Partner
Membership No.214178

Place : Coimbatore
Date : 04.08.2017

Sri Kannapiran Mills Limited

Balance Sheet as at 31st March, 2017

(Rs. in Lakhs)

Particulars	Note No.	31-03-2017	31-03-2016
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	2	3 63.66	3 68.30
Reserves and surplus	3	43 74.99	36 89.14
Non-current liabilities			
Long Term Borrowings	4	15 70.55	18 39.13
Deferred tax liabilities (Net)	5	11 01.77	8 20.51
Other Payable	6	1 07.31	57.83
Long Term provisions	7	2 08.82	1 89.02
Current liabilities			
Short Term Borrowings	8	25 79.44	30 00.07
Trade payables	9	28 28.69	26 18.57
Other current liabilities	10	16 57.23	18 24.40
Short-term provisions	11	37.77	29.92
TOTAL		148 30.23	144 36.89
ASSETS			
Non-current assets			
Fixed assets	12		
(i) Tangible assets (Property, Plant & Equipments)		70 10.32	69 98.53
(ii) Intangible assets		0.05	0.15
(iii) Capital work-in-progress		-	-
TOTAL		70 10.37	69 98.68
Non-current investments	13	8 37.37	7 84.90
Long-term loans and advances	14	6 45.45	4 87.59
Other Non current assets	15	1 29.69	1 28.44
Current assets			
Inventories	16	19 41.40	15 04.29
Trade receivables	17	25 19.98	27 08.14
Cash and cash equivalents	18	2 48.85	2 11.89
Short-term loans and advances	19	12 02.06	12 50.04
Other current assets	20	2 95.06	3 62.92
TOTAL		148 30.23	144 36.89
Significant Accounting Policies	1		
Additional information to Financial statement	28		
See accompanying notes to the financial statements		(Sd/-) KG Baal Krishnan Chairman DIN No : 00002174	
In terms of our Report of even date For M S Jagannathan & Visvanathan Firm Regd. No. 001209S Chartered Accountants		(Sd/-) B Sriramulu Managing Director DIN No : 00002560	(Sd/-) B Srihari Managing Director DIN No : 00002556
(Sd/-) M V Jeganathan Coimbatore 04 th August, 2017	Partner Membership No. 214178	(Sd/-) G Krishnakumar Chief Financial Officer	

Sri Kannapiran Mills Limited

Statement of Profit and Loss for the year ended 31st March, 2017

(Rs. in Lakhs)

Particulars	Note No.	31-03-2017	31-03-2016
REVENUE			
Revenue from operations	21	176 65.03	167 48.50
Other income	22	1 77.14	1 86.18
Total Revenue		178 42.17	169 34.68
EXPENSES			
Cost of materials consumed	23	67 46.77	53 42.01
Purchases of stock in trade		7 56.08	12 39.49
Changes in inventories of finished goods and work-in-progress and Stock-in-Trade	24	-95.10	1 11.77
Power & Fuel		22 98.10	25 79.25
Employee benefits expense	25	29 15.65	27 62.49
Finance costs	26	8 53.40	10 10.60
Depreciation		4 55.70	4 42.21
Other expenses	27	28 93.62	24 71.36
Total Expenses		168 24.22	159 59.17
Profit before tax		10 17.95	9 75.51
Tax expense:			
Current Tax (MAT)		-2 02.86	-1 98.83
(Less) : Mat Credit Entitlement		1 84.07	1 94.18
Deferred tax Liability		-2 81.26	-2 99.94
Income Tax for Prior Year		0.03	-
Profit after tax		7 17.93	6 70.91
Earnings per equity share			
Basic and Diluted Earnings per share (in Rs.) (Face value Rs. 10/- per share)		14.68	12.94

Significant Accounting Policies	1
Additional Information to Financial statements	28

See accompanying notes to the financial statements

(Sd/-) KG Baalakrishnan
 Chairman
 DIN No : 00002174

In terms of our Report of even date
For M S Jagannathan & Visvanathan
 Firm Regd. No. 001209S
 Chartered Accountants

(Sd/-) B Sriramulu
 Managing Director
 DIN No : 00002560

(Sd/-) B Srihari
 Managing Director
 DIN No : 00002556

(Sd/-) M V Jeganathan

Coimbatore
04th August, 2017

Partner
Membership No. 214178

(Sd/-) G Krishnakumar
 Chief Financial Officer

Sri Kannapiran Mills Limited

Rs.lakhs

CASH FLOW STATEMENT FOR THE YEAR ENDED 2016 - 2017	31.03.2017	31.3.2016
A. Cash flow from operating activities:		
Net profit before tax	1017.95	975.51
Adjustments for:		
Depreciation	455.70	442.21
Profit on Sale of Assets	-33.01	-67.05
Interest Income	-46.24	-49.77
Dividend Income	-23.00	-23.14
Interest Paid	853.40	1010.60
Operating profit before working capital changes	2224.79	2288.35
(Increase) / Decrease in Trade and other receivables	302.61	-75.53
(Increase) / Decrease in Inventories	-437.10	-5.90
(Increase) / Decrease in Trade and other payables	130.54	-315.49
Cash generated from operations	2220.85	1891.44
Direct taxes paid	-175.57	43.50
Net cash from operating activities	2045.27	1934.94
B. Cash flow from investing activities:		
Purchase of Fixed assets	-733.24	-431.93
Proceeds from Sale of fixed assets	298.87	124.59
Sale of Investments	35.48	14.26
Purchase of Investment	-87.95	-56.51
Interest Received	45.26	55.45
Dividend Received	23.00	23.14
Net cash used in investing activities	-418.58	-271.10
C. Cash flow from financing activities :		
Long term borrowings received	378.05	280.27
Long term borrowings repaid	-646.62	-1349.26
Short term borrowings	-420.63	341.23
Interest paid	-863.87	-1019.33
Buy back of Shares	-36.66	-
Net cash used in financing activities	-1589.73	-1747.10
Net increase in cash and cash equivalents	36.96	-83.25
Cash and cash equivalents at beginning of the period	211.89	295.15
Cash and cash equivalents at end of the period	248.85	211.89
Components of Cash and cash equivalents as at 31st March		
Cash and cheques on hand	16.81	7.50
In Current Account	34.82	35.10
In Deposit Account	197.22	169.29
	248.85	211.89

See accompanying notes to the financial statements

(Sd/-) KG Baalakrishnan

Chairman

DIN No : 00002174

In terms of our Report of even date

For M S Jagannathan & Visvanathan

Firm Regd. No. 001209S

Chartered Accountants

(Sd/-) M V Jeganathan

Coimbatore

04th August, 2017

Partner

Membership No. 214178

(Sd/-) B Sriramulu

Managing Director

DIN No : 00002560

(Sd/-) B Srihari

Managing Director

DIN No : 00002556

(Sd/-) G Krishnakumar

Chief Financial Officer

1. Significant Accounting Policies

(In the order of applicability of Accounting Standards)

AS-1 DISCLOSURE AND BASIS OF ACCOUNTING

- a) The Financial Statements have been prepared under the Historical cost convention in accordance with the provisions of the Companies Act, 2013 and accounting principles generally accepted in India and comply with the Accounting Standards as prescribed under 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, provisions of Companies Act, 2013 to the extent notified. Accounting policies have been consistently applied except where a newly issued Accounting Standard is initially adopted or a revision to an existing Accounting Standard requires a change in the accounting policy hitherto in use.
- b) The Company has been consistently following the accrual basis of accounting in respect of its Income and Expenditure.
- c) The Accounts are prepared on the basis of Going Concern concept only.

AS-2 VALUATION OF INVENTORIES

Inventories are valued at lower of cost and net realizable value, where

- a) Cost of raw materials is determined on specific identification method
- b) Stock of stores, spares and packing materials is determined on weighted average method.
- c) Finished goods and work in progress is determined under FIFO method where cost includes conversion and other costs incurred in bringing the inventories to their present location and condition.

AS- 3 CASH FLOW STATEMENT

Cash flows are reported using the indirect method, where by the profit before tax is adjusted for the effect of transactions of a non cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. Cash and Cash equivalent include cash on hand and balances with banks in current and deposit accounts with necessary disclosure of cash and cash equivalent balances that are not available for you by the company.

AS- 5 NET PROFIT/LOSS FOR THE PERIOD AND PRIOR PERIOD ITEMS

All items of income and expenses pertaining to the year are included in arriving at the net profit for the year unless specifically mentioned elsewhere in the financial statement or as required by Accounting Standards.

AS-6 DEPRECIATION ACCOUNTING

Depreciation on Fixed Assets has been provided on Straight line basis based on the balance useful life of the assets as prescribed in Schedule II of the Companies Act, 2013 effective from 01/04/2014. Depreciation on machinery & electrical has been provided base on useful lives as applicable continuous process. In respect of additions and sales, pro rata depreciation is calculated from the date of purchase or to the date of sale as the case may be.

AS-9 REVENUE RECOGNITION

- a) Revenue from sale transactions is recognised as and when the property in the goods sold is transferred to the buyer for a definite consideration. Revenue from service transactions are recognised on the completion of the contract at the contracted rate and when there is no uncertainty regarding the amount of consideration or collectability.
- b) Direct Sales as reported are net of Sales Tax.
- c) Proceeds of export sales of yarn are accounted on the basis of credit given by our bankers.
- d) Export incentives under DEPB licence and premium on transfer of Export incentives are accounted on accrual basis.
- e) Dividend income from investments is accounted in the year in which it is actually received.
- f) Revenue from Carbon credits are recognized based on issuance of CER certificate by UNFCEC
- g) Other incomes are accounted on accrual basis.

AS-10 ACCOUNTING FOR FIXED ASSETS

The cost of fixed assets is shown at historical cost less accumulated depreciation.

AS-11 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the prevailing exchange rates at the time of initial recognition. Exchange differences arising on final settlement are recognized as income or expense in the profit and loss account. Outstanding balances of monetary items denominated in foreign currency are restated at closing exchange rates.

The premium or discount arising at the inception of forward exchange contracts is accounted as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense in the period in which they arise.

AS-13 ACCOUNTING FOR INVESTMENTS

Long term investments are stated at cost. A provision for diminution, if any, is made to recognise a decline, other than temporary, in the value of long term investments.

AS-15 EMPLOYEE BENEFITS

a) Short term employee benefits (other than termination benefits) which are payable within 12 months after the end of the period in which the employees render service are accounted on accrual basis.

b) **Defined Contribution Plans**

Company's contributions paid / payable during the year to Provident Fund, Superannuation Fund and ESIC are recognized in the profit and loss account.

c) **Defined Benefit Plans**

Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits becomes vested. Actuarial gains or losses are recognized immediately in the statement of profit and loss account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate

AS-16 BORROWING COSTS

Borrowing Costs that are attributable to the acquisition of construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

AS-19 LEASES

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease term.

AS-20 EARNING PER SHARE

The earning considered in ascertaining the Company's earnings per share comprises of Net Profit after tax and includes post tax adjustments of prior period and extra-ordinary items.

AS-22 ACCOUNTING FOR TAXES ON INCOME

Deferred tax resulting from timing differences between book and tax profits is accounted under liability method at enacted or substantively enacted rate as on the balance sheet date. Deferred tax asset, other than those arising on account of unabsorbed depreciation or carried forward of losses under tax loss, are recognised and carried forward subject to consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Deferred tax asset, arising on account of unabsorbed depreciation or carried forward of losses under tax loss, are recognised and carried forward subject to consideration of prudence only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

Current tax is determined at the amount of tax payable in respect of estimated taxable income for the year.

AS-26 INTANGIBLE ASSETS

Software is being amortised over a period of 1-3 years depending on the licenses of the respective software.

AS-28 IMPAIRMENT OF ASSETS

An asset is impaired when the carrying amount of the asset exceeds its recoverable amount. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired.

AS-29 PROVISIONS, CONTINGENT LIABILITY AND CONTINGENT ASSETS

a) Provisions involving degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources.

b) Contingent liabilities in respect of show cause notice received are considered only when they are converted to demands. Contingent liabilities are disclosed by way of notes to accounts.

c) Contingent liability under various fiscal laws includes those in respect of which the company/department is in appeal.

OTHERS

SUNDRY DEBTORS AND ADVANCES

Specific debts and advances identified as irrecoverable are written off.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities as at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any revision to the estimates is recognized prospectively.



Sri Kannapiran Mills Limited

Notes forming part of financial statements

(Rs. in Lakhs)

	Numbers 31-03-2017	Numbers 31-03-2016	Amount 31-03-2017	Amount 31-03-2016
2. SHARE CAPITAL				
Number and amount of Equity shares authorized	6000000	6000000	600.00	600.00
Number and amount of pref. shares authorized	300000	300000	300.00	300.00
Number and amount of Equity shares issued	3709575	3709575	370.96	370.96
Number of Equity shares subscribed and fully paid up	3682880	3682880	368.29	368.29
Add: Forfeited Shares	100	100	0.01	0.01
Less: Buy back shares	46 401	-	4.64	-
			363.66	368.30
Par value per Equity share (In Rs.)			10.00	10.00
Reconciliation of number of shares				
Number of Equity shares at the beginning	3682980	3682980		
Less : Adjustments during the year	46401	0		
Number of Equity shares at the end of the reporting period	3636579	3682980		
Shareholders holding more than 5 percent Equity shares	No of Shares	No of Shares	% 2017	% 2016
Mr KG Baalakrishnan	507375	507375	13.95%	13.77%
Mrs B Sathyabama	280742	280742	7.72%	7.62%
Crocodile India Private Limited	500000	500000	13.75%	13.58%
Terms & Conditions of equity shares :				
The Company has only one class of equity shares having a par value of Rs.10 per share. Each Share holder is eligible for one vote per share				
In the event of liquidation the equity share holders are eligible to receive the remaining assets of the company after distribution of all preferential amounts in proportion of their share holding				
There are no shares allotted as fully paid without payments being received in cash, bonus shares or shares bought back immediately preceding five previous years.				
3. RESERVES AND SURPLUS			31.3.2017	31.3.2016
General Reserve				
As per last Balance Sheet			38 24.41	38 24.41
Less : Utilisation against Buy back of Equity Shares			32.02	-
Less : Transfer to Capital Redemption Reserve			4.64	-
Closing balance			37 87.75	38 24.41
Capital Redemption Reserve				
As per last Balance Sheet			-	-
Add: Transfer from General Reserve towards Buy Back of Equity Shares			4.64	-
			4.64	-
Surplus				
As per last Balance Sheet			-1 35.27	-8 06.18
Add: Transfer from Profit & Loss statement			7 17.87	6 70.91
Closing balance			5 82.60	-1 35.27
Reserves and Surplus			43 74.99	36 89.14
NON CURRENT LIABILITIES				
4. LONG TERM BORROWINGS				
Secured				
Term Loans from Banks			12 04.06	16 71.77
LC Liability for Capital Goods-Indian Bank			3 52.29	1 50.22
Unsecured				
Long Term maturities of Finance lease obligations			1.95	0.89
Trade Deposits - Unsecured			-	4.00
Loans and advances from related parties-Deposits from Director-unsecured			12.25	12.25
TOTAL			15 70.55	18 39.13
There is no case of default as on the balance sheet date in repayment of loans and interest				

Sri Kannapiran Mills Limited

Notes forming part of financial statements

Term loans from Indian Bank (IB), State Bank of Travancore (SBT), The South Indian Bank Limited (SIB), State Bank of India (SBI) and Indian Overseas Bank (IOB) are secured by first pari passu charge on (a) all immovable properties and (b) all plant and machineries including machineries and other movable fixed assets (excluding vehicles charged to financiers) and second pari-passu charge on stock-in-trade and book debts value of the Company from time to time.

South Indian Bank has lien on the shares of face value of Rs.200 lakhs (2000000 shares of Rs.10 each) held by the Company as investment in KG Denim Limited to secure the Term loan and working capital limits of the Company

The term loans from IB, SBT, SIB and SBI are also guaranteed by Mr K G Baalakrishnan, Chairman, Mr B Sriramulu and Mr B Srihari Managing Directors. The term loan from IOB is also guaranteed by Mr K G Baalakrishnan, Chairman.

(Rs. in Lakhs)

Name of the bank	Outstanding Amount	No of Instalment	Interest %	Periodicity
Indian Bank	85.60	6	12.15	Monthly
	48.30	20	12.65	Monthly
	32.25	21	12.65	Monthly
	25.00	24	13.15	Monthly
	56.16	24	13.15	Monthly
	107.03	19	13.15	Monthly
	55.94	48	12.45	Monthly
	378.05	60	12.45	Monthly
	370.07	47	12.10	Monthly
*LC Liability for Capital goods will be paid out of Term Loan realising by Indian Bank in November 2017 & Oct 2018.	352.29	-	-	
State Bank of Travancore	77.80	23	10.55	Monthly
	33.59	48	10.55	Monthly
	225.55	48	10.55	Monthly
The South Indian Bank Limited	7.43	4	12.50	Monthly
	60.95	16	12.50	Monthly
	45.81	20	12.50	Monthly
	22.33	48	12.50	Monthly
	150.19	48	12.50	Monthly
Indian Overseas Bank	260.06	11	12.15	Monthly

(Rs. in Lakhs)

5. DEFERRED TAX LIABILITIES	31.3.2017	31.3.2016
Deferred Tax Asset:		
On account of Unabsorbed Depreciation	-	1 86.63
Provision for Gratuity	81.52	71.08
	<u>81.52</u>	<u>2 57.71</u>
Deferred Tax Liability:		
On account of Depreciation	11 83.29	10 78.22
Net Deferred Tax Liabilities	<u>11 01.77</u>	<u>8 20.51</u>
6. OTHER LONG TERM LIABILITIES		
Other Payable	1 07.31	57.83
	<u>1 07.31</u>	<u>57.83</u>
7. LONG TERM PROVISIONS		
Provision for Gratuity	2 08.82	1 89.02
	<u>2 08.82</u>	<u>1 89.02</u>

Sri Kannapiran Mills Limited

(Rs. in Lakhs)

Notes forming part of financial statements

31.3.2017

31.3.2016

Current liabilities

8. SHORT TERM BORROWINGS

Loans and advances repayable on demand
from banks - Secured

	25 79.44	30 00.07
	25 79.44	30 00.07

There is no case of default as on the balance sheet date in repayment of loans and interest

Working capital facilities from Indian Bank consortium (Indian Bank, Central Bank of India, State Bank of Travancore and The South Indian Bank limited) are secured by pari passu first charge on the entire current assets of the company and pari passu second charge on all the immovable properties and plant and machineries (excluding vehicles charged to financiers). The entire working capital is also guaranteed by Mr K G Baalakrishnan, Chairman, Mr B Sriramulu and Mr B Srihari, Managing Directors.

9. TRADE PAYABLES

Due to Micro, Small & Medium Enterprises
Others

	-	-
	28 28.69	26 18.57
	28 28.69	26 18.57

10. OTHER CURRENT LIABILITIES

Current maturities of long term debt - Secured - Refer Note No:4
Current maturities of finance lease obligations -
 Secured - Refer Note No. 4
Interest accrued and due on borrowings
 Advances from Customers
Other Payables

	8 38.05	11 25.02
	3.40	10.81
	22.86	33.33
	99.29	91.17
	6 93.63	5 64.07
	16 57.23	18 24.40

11. SHORT-TERM PROVISIONS

Provision for Gratuity

	37.77	29.92
	37.77	29.92

12. FIXED ASSETS

Description of Assets	Gross Block				Depreciation				Net Block	
	As at 01.04.2016	Additions during the year	Sales during the year	As at 31.03.2017	Up to 31.03.2016	For the Year	Withdrawn for the Year	Upto 31.03.2017	As at 31.03.2017	As at 31.03.2016
Tangible Assets										
1. Land	1 28.67	-	-	1 28.67	-	-	-	-	128.67	128.67
2. Building	22 27.34	17.15	-	22 44.49	9 10.86	58.66	-	9 69.51	1274.98	13 16.48
3. Machinery	1 19 91.62	6 90.50	9 27.53	1 17 54.59	72 77.82	2 70.13	6 72.02	6875.93	4878.66	47 13.80
4. Elec. Machinery	16 30.15	1.57	17.14	16 14.58	9 86.60	98.28	8.44	1076.43	538.15	6 43.55
5. Furniture & Fixtures	3 66.40	3.53	-	3 69.93	3 53.50	2.18	-	3 55.68	14.25	12.90
6. Office Equipment	15.28	11.97	-	27.25	6.91	2.71	-	9.62	17.63	8.37
7. Motor Vehicles	2 48.48	8.53	15.36	2 41.65	73.74	23.63	13.71	83.66	157.98	1 74.75
Intangible Assets										
8. Software	7.12	-	-	7.12	6.97	0.10	-	7.07	0.05	0.15
TOTAL	1 66 15.07	7 33.24	9 60.03	1 63 88.28	96 16.39	4 55.70	6 94.18	93 77.91	70 10.37	69 98.68
Previous Year	1 64 91.08	4 31.93	3 07.94	1 66 15.07	94 24.59	4 42.21	2 50.41	96 16.39	69 98.68	70 66.47
Note: Office furniture Cost includes Rs.78,39,677 towards cost of Jewels, Golden Chariot, Thoobasthambam of Prayer Hall Then Thirumalai										

Notes forming part of financial statements

				(Rs. in lakhs)	
Non-Current Investments					
13. INVESTMENTS IN EQUITY INSTRUMENTS (At Cost)		31.03.2017	31.03.2016	31.03.2017	31.03.2016
Non Trade- Quoted-Fully paid up	Face value	Nos.	Nos.	Amount	Amount
Rajshree Sugars and Chemicals Ltd.	10	5,000	5,000	0.50	0.50
IDBI Bank Limited	10	14,240	14,240	11.57	11.57
Indian Bank	10	1,000	1,000	0.91	0.91
The South Indian Bank Ltd	10	4,323	-	0.61	-
Trade Investments - Quoted					
K G Denim Limited	10	3,065,183	3,065,183	4 23.85	4 23.85
Trade Investments - Un quoted					
K G Fabriks Limited	10	2,825,575	2,825,575	2 82.56	2 82.56
Trade Investments - Unquoted					
iEnergy Wind farms (Theni) Private Limited	10	3,435	7,003	0.34	0.70
OPG Power Generation Pvt. Ltd.	10	18,700	25,400	2.06	2.79
Ind-Barath Powergencom Limited	10	762,017	537,995	76.20	53.80
Poysha Power Generation Pvt Ltd	10	23,200	-	2.32	-
Iris Ecopower Ventures Pvt Ltd	10	282,370	-	28.24	-
Non Trade Investments - Unquoted					
National Saving Certificate				0.25	0.25
Kannapiran Mills Employee's Co-op. Stores Limited				0.04	0.04
Investment in Partnership firm					
M/s. K G House (Madras)				7.94	7.94
				8 37.37	7 84.90
Aggregate Value of quoted investments					
Cost				4 37.43	4 36.83
Market value				27 91.47	23 10.23
Aggregate amount of unquoted investments				3 92.00	3 40.14
14. LONG-TERM LOANS AND ADVANCES					
(Unsecured, considered good)					
Advances recoverable in cash or kind, for value to be received				58.99	61.22
Security Deposits				12.74	11.72
MAT Credit Entitlement				5 73.71	3 89.65
Others				-	25.00
TOTAL				6 45.45	4 87.59
15. OTHER NON CURRENT ASSETS					
Long Term Trade Receivables				90.12	83.44
Others					
TUF Subsidy Receivable				39.57	45.00
				1 29.69	1 28.44
16. INVENTORIES (At lower of cost or net realisable value)					
Raw materials				7 11.29	3 91.91
Work-in-progress				1 50.25	87.70
Finished goods				8 76.39	8 43.82
Stores and spares				2 03.47	1 80.85
TOTAL				19 41.40	15 04.29

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(Rs. in Lakhs)

	31.3.2017	31.3.2016	
17. TRADE RECEIVABLES			
(Unsecured, considered good)			
Outstanding for a period exceeding six months from the due date	96.22	3 65.08	
Others	24 23.76	23 43.06	
TOTAL	25 19.98	27 08.14	
18. CASH AND BANK BALANCES			
Cash and cash equivalents			
Balances with banks			
In Current Account	34.08	35.10	
Cheque on hand	0.74	-	
Cash on hand	16.81	7.50	
Other Bank Balances			
Deposits held as margin money	1 97.22	1 69.29	
TOTAL	2 48.85	2 11.89	
Details of SBN's Deposited	SBN's	Others	Total
Closing Balance as on 08/11/2016	2.47	3.05	5.52
Add: Permitted Receipts		1 32.12	1 32.12
Less: Permitted Payments		1 03.71	1 03.71
Less: Cash Deposited	2.47	-	-
Closing Balance as on 30/12/2016	-	31.47	31.47
19. Short-term loans and advances			
(Unsecured, Considered Good)			
Advances recoverable in cash or in kind, or for value to be received	8 52.08	8 92.94	
Security Deposit	2 23.22	2 06.71	
Prepaid expenses	35.79	32.13	
Advance taxes (Net of Provisions therefor)	90.97	1 18.26	
TOTAL	12 02.06	12 50.04	
20. OTHER CURRENT ASSETS			
Interest accrued on Bank Deposits	3.21	2.24	
Income Receivable			
TUF Subsidy Receivable	37.19	95.85	
DEPB & Duty draw back receivable	12.03	11.93	
Conversion Charges Receivable	2 42.63	2 52.90	
TOTAL	2 95.06	3 62.92	

Sri Kannapiran Mills Limited

Notes forming part of financial statements

(Rs. in Lakhs)

	31.3.2017	31.3.2016
21. Revenue from operations		
a) Sale of products		
Yarn	111 51.12	102 16.62
Glove	3 47.31	5 13.60
Fabric	3 31.05	90.11
Waste	40.30	20.40
Sub Total	118 69.79	108 40.73
b) Sale of services		
Conversion Charges	57 43.25	58 51.44
Sub Total	57 43.25	58 51.44
c) Other operating revenues:		
Export Incentives	51.99	56.33
Sub Total	51.99	56.33
TOTAL	176 65.03	167 48.50
22. Other income		
Interest Income	46.24	49.77
Dividend Income	23.00	23.14
Profit on sale of assets	33.01	67.05
Foreign Exchange (gain)-Net	16.54	-
Miscellaneous receipts	58.35	46.22
TOTAL	1 77.14	1 86.18
23. Cost of materials consumed		
Opening Stock		
Raw material - Cotton & Waste Cotton	3 90.85	2 28.41
Waste - Cotton	1.06	2.81
Add : Purchases - Cotton & Waste Cotton	70 66.15	55 02.70
	74 58.06	57 33.92
Less : Sale of Rawmaterial	-	-
Less: Closing Stock		
Raw material - Cotton & Waste Cotton	7 07.87	3 90.85
Waste - Cotton	3.42	1.06
TOTAL	67 46.77	53 42.01

Notes forming part of financial statements

(Rs. in Lakhs)

	31.3.2017	31.3.2016
24. Changes in inventory of Finished Goods and WIP		
Opening Stock		
Finished Goods - Yarn	7 27.18	8 31.14
Finished Goods - Glove	1 16.64	59.92
Work in Process	87.70	1 52.24
SUB TOTAL	9 31.53	10 43.30
Closing Stock		
Finished Goods - Yarn	8 50.37	7 27.17
Finished Goods - Glove	26.02	1 16.64
Work in Process	1 50.24	87.70
SUB TOTAL	10 26.63	9 31.53
Stock Increase / (Decrease)	95.10	(111.77)
25. EMPLOYEE BENEFITS EXPENSES		
Salaries and wages	26 00.39	24 41.73
Contribution to provident and other funds	92.63	88.66
Welfare expenses	2 03.00	2 23.46
MD Remuneration	19.62	8.62
TOTAL	29 15.65	27 62.49
26. FINANCE COST		
Interest expenses	8 53.40	10 10.60
TOTAL	8 53.40	10 10.60
27. OTHER EXPENSES		
Consumption of stores and spare parts	2 25.87	2 18.16
Consumption of packing materials	2 51.23	2 55.62
Repairs to buildings	1 14.11	75.34
Repairs to machinery	8 51.70	6 87.28
Bank Charges	35.94	27.47
Insurance	22.66	36.25
Rates and taxes, excluding, taxes on income	33.70	34.63
Accountancy and legal charges	24.00	11.64
Filing Fees	0.15	0.08
Brokerage & Commission	1 29.30	1 32.61
Selling Expenses	23.63	46.55
Carriage Outwards	1 26.24	1 34.56
Lease Rent	18.38	14.85
Auditors Remuneration	3.88	3.59
Sitting Fees	1.86	1.37
CSR Expenses	12.67	-
Processing Charges	5 58.52	4 93.66
Foreign exchange fluctuation loss	-	7.43
Prayer Hall Expenses	35.39	39.94
Bad Debts Written Off	1 90.91	11.70
Miscellaneous expenses	2 33.48	2 38.63
TOTAL	28 93.62	24 71.36

28. Additional Information to Financial Statement

1. Estimated amount of contracts remaining to be executed on capital accounts not provided for as on 31.3.2017 is Rs.98 lakhs (31.3.2016 : Rs.42 lakhs).
2. Future Hire Purchase charges payable as on 31.3.2018 is Rs.0.46 lakhs. (Previous year 0.54 lakhs)
3. Income-tax Assessment for the Assessment years 2015-16 and onwards is pending.
4. Vehicle Loans from ICICI Bank Limited are secured by way of hypothecation of respective vehicles.

5.	a) Value of imports – CIF basis	31.3.2017		31.03.2016
				(Rs. lakhs)
	i) Raw materials	–		–
	ii) Spares and components	96.59		53.49
	iii) Capital goods	415.53		267.40
	b) Consumption	Imported	Indigenous	Imported
				Indigenous
	i) Raw materials Value (Rs lakhs)	–	6746.77	–
	As a % of total raw material consumption	–	100%	–
	ii) Spares and components (Rs lakhs)	99.68	977.88	193.53
	As a % of total Repairs and Maintenance	9.25%	90.75%	21.37%
				712.22
				78.63%
6.	i) Expenditure in Foreign Currency	Rs Lakhs		Rs Lakhs
	Travelling Expenses	1.53		1.63
	ii) Earnings in Foreign Currency on Export of Goods - FOB Basis Direct Export	1625.60		1862.01
	iii) Export through Merchant Exporters	65.06		144.85
7.	Auditors' remuneration	31.03.2017		31.03.2016
	Audit Fees	2.01		2.00
	Income-tax representation fees	0.17		0.17
	Tax Audit Fees	0.35		0.34
	Certification Fees	1.25		0.97
	Travelling Expenses	0.10		0.10
		3.88		3.58

Sri Kannapiran Mills Limited

8. 6 Years National Savings Certificate of Rs 100/- has not been reflected in the Balance Sheet under the heading investments due to rounding off.
9. Particulars regarding investment in the capital of the partnership firm.

Name of the Firm:- K G House (Madras)

Total Capital of the Firm Rs 16,18,400/-

Name of the Partner	Capital contribution	Share ratio
The Kadri Mills (Cbe) Ltd	Rs 7,93,800/-	49.0 %
Sri Kannapiran Mills Ltd	Rs 7,93,800/-	49.0 %
Sri Palanivel Murugan Co	Rs 7,700/-	0.5 %
Mr K Govindaswamy Naidu (deceased)	Rs 7,700/-	0.5 %
Mrs G Rukmani Ammal (deceased)	Rs 7,700/-	0.5 %
Mrs G Seethalakshmi Ammal (deceased)	Rs 7,700/-	0.5 %

10. Rs.16,53,666/- on account of increase in foreign currency exchange loss relating to purchase of capital goods and restatement of parties, is credited in Profit and Loss account.
11. Balance of certain Creditors, Debtors, Loans and Advances given are subject to confirmation and reconciliation, if any. However in the opinion of management, there would not be any material impact on financial statements.
12. The segmental reporting as required under AS-17 is not applicable as the Company operates in only one segment, i.e. Textile.

13. AS 15 Employee Benefits

A. Defined Benefit Plan

I. Principal Actuarial Assumptions	31.03.2017	31.03.2016
Discount Rate	7.40%	7.90%
Salary Escalation Rate	4.00%	4.00%
Attrition Rate	1.00%	1.00%
Expected Rate of Return on Plan Assets	0.00%	0.00%
	(Rs. in lakhs)	(Rs. in lakhs)
II. Changes in the present value of the obligation (PVO) - Reconciliation of Opening and Closing Balances		
	Gratuity (Unfunded)	Gratuity (Unfunded)
PVO as at the beginning of the period	218.93	212.36
Interest Cost	17.28	17.02
Current Service Cost	19.88	18.63
Past Service Cost - (Non Vested Benefits)	0	0
Past Service Cost - (Vested Benefits)	0	0
Benefits Paid	-13.76	-23.56
Actuarial loss / (gain) on obligation (balancing figure)	4.26	-5.52
PVO as at the end of the period	246.59	218.93
III. Changes in the fair value of plan assets - Reconciliation of opening and closing balances		
Fair value of the plan assets as at the beginning of the period	0	0
Expected return on plan assets	0	0
Contributions	0	0
Benefits paid	0	0
Actuarial gain / (loss) on plan assets (balancing figure)	0	0
Fair value of plan assets as at the end of the period	0	0

IV. Actual return on plan assets

Expected return on plan assets	0	0
Actuarial gain / (loss) on plan assets	0	0

V. Actuarial gain / loss recognised

Actuarial gain / (loss) for the period - Obligation	4.26	-5.52
Actuarial gain / (loss) on plan assets	0	0
Total gain / (Loss) for the period	4.26	-5.52
Actuarial gain / (loss) recognised in the period	4.26	-5.52
Unrecognised actuarial (gain) / loss at the end of the year	-7.87	-9.00

VI. Expenses recognised in the statement of profit and loss

Current service cost	19.88	18.63
Interest Cost	17.28	17.02
Expected return on plan assets	0	0
Net actuarial (gain)/loss recognised in the year	4.26	-5.52
Expenses recognised in the statement of profit and loss	41.42	30.14

VII. Movements in the liability recognised in the balance sheet

Opening net liability	218.93	212.36
Expense as above	41.42	30.14
Contribution paid	(13.76)	(23.56)
Closing net liability	246.59	218.94

Note:

- i. The salary escalation considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- ii. Gratuity is based on last drawn basis salary. The scheme takes into account each completed year of service or part there of in excess of six months.

B. Defined Contribution Plan

Contribution to Provident Fund	92.63	97.44
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14. AS-18 RELATED PARTY DISCLOSURES :

Names of related parties :

1. Key Management Personnel :
 - a. Dr G Bakthavathsalam, MD
 - b. Mr B Sriramulu, MD
 - c. Mr B Srihari, MD
 - d. Mr G Krishnakumar, CFO

2. Relatives of Key Management Personnel :
 - a. Mr KG Baalakrishnan
 - b. Mrs B Sathyabama

3. Other Related Parties :
 - a. KG Denim Limited
 - b. KG Fabriks Limited
 - c. Sri Balamurugan Textile Processing Limited
 - d. RND Softech Pvt Ltd
 - e. Sri Karthikeya Spg & Wvg Mills Pvt Ltd

KG Sri Kannapiran Mills Limited (Rs. In Lakhs)

Particulars	Other Related Parties		Key Management Personnel		Relatives of Key Management Personnel	
	2017	2016	2017	2016	2017	2016
Purchase of Goods/Power						
- KG Fabriks Limited	6.45	16.18	-	-	-	-
- K G Denim Limited	642.52	527.30	-	-	-	-
- Sri Balamurugan Textile Processing Limited	0.27	0.11	-	-	-	-
- Sri Karthikeya Spinning & Wvg Mills Pvt Ltd	24.45	-	-	-	-	-
Sale of Goods						
- KG Fabriks Limited	155.64	58.06	-	-	-	-
- K G Denim Limited	84.39	24.28	-	-	-	-
- Sri Balamurugan Textile Processing Limited	2.00	0.34	-	-	-	-
- Sri Karthikeya Spinning & Wvg Mills Pvt Ltd	24.45	0.32	-	-	-	-
Rendering of Services - Conversion charges (Receipt)						
- KG Fabriks Limited	2475.91	2406.07	-	-	-	-
- K G Denim Limited	2598.34	2734.37	-	-	-	-
- Sri Balamurugan Textile Processing Limited	0.66	-	-	-	-	-
Rendering of Services - Conversion charges (paid)						
- Sri Balamurugan Textile Processing Limited	128.76	82.71	-	-	-	-
- KG Fabriks Limited	13.86	-	-	-	-	-
Rendering of Services - Others (paid)						
- RND Softech Pvt Limited	2.70	3.12	-	-	-	-
Managerial Remuneration						
- KG Baal Krishnan	-	-	-	1.00	-	-
- Dr G Bakthavathsalam	-	-	7.62	7.62	-	-
- B Sriramulu	-	-	6.00	-	-	-
- B Srihari	-	-	6.00	-	-	-
- G Krishnakumar-CFO	-	-	7.35	-	-	-
Sitting Fees						
KG Baal Krishnan	-	-	-	-	0.40	0.20
Lease Rent						
- K G Denim Limited	0.64	0.64	-	-	-	-
- Mrs B Sathyabama	-	-	-	-	16.87	13.45
Balance Outstanding as on 31st March						
Payables						
- B Srihari	-	-	-	-	12.75	12.25
- B Sriramulu	-	-	-	-	0.50	-
- Dr G Bakthavathsalam	-	-	-	-	0.50	0.50
- RND Softech Pvt Limited	0.40	0.51	-	-	-	-
Receivables						
- Sri Balamurugan Textile Processing Limited	360.28	332.34	-	-	-	-
- K G Denim Limited	14.12	85.25	-	-	-	-
- KG Fabriks Limited	1361.38	868.70	-	-	-	-

15 . AS-19 LEASES

The Company's significant leasing arrangements are mainly in respect of Godown rent. The aggregate rentals payable on these leasing arrangements are charged as lease rent under other expenses.

	(Rs. In Lakhs)	
Particulars	31.03.2017	31.03.2016
Not later than one year	18.52	15.63
Later than one year but not later than five years	9.41	24.24
Later than Five years	--	--

16. AS-20 EARNINGS PER SHARE

	31.03.2017	31.03.2016
Net profit after tax and adjustments	533.81	476.74
Weighted average No of Equity Shares -	36,36,579	36,82,880
Basic & Diluted Earnings Per Share -	14.68	12.94
(Face value of Rs. 10/- each)		

17. AS – 22 DEFERRED TAX LIABILITY	Opening as on 01.04.2016	Adjustments made during the year	Closing as on 31.03.2017
Deferred Tax Liability			
Depreciation	1078.22	105.07	1183.29
Total	1078.22	105.07	1183.29
Deferred Tax Asset			
Unabsorbed Depreciation	186.63	-186.63	-
Provision for Gratuity (Net)	71.08	10.44	81.52
Total	257.71	176.19	81.52
Net Deferred Tax Asset / (Liability)	(820.51)	(281.26)	(1101.77)

18. a) There is tax demand from Income Tax department in respect of A.Y.1994-95 to the extent of 223.72 lakhs. However no provision is made in the accounts, as the assessing officer has to give consequential benefits for the subsequent years in respect of depreciation as per the recent directions given by CIT(A), Cbe and the revised tax liability for A.Y.1994-95 will have to be arrived based on revision order.
- b) The Company had taken input credit on Furnace oil used for producing power in the year 2006-07 under Tamilnadu VAT act. The Commercial Tax Department, Tamilnadu disputed the above and demanded reversal of input tax credit of Rs.57,69,147 and the Company had filed an appeal with Madras High court and the same is pending. The Company has paid an amount of Rs. 20,00,000/- in this regard "under protest". The Company has fair chances of winning the appeal and hence not provided the same in accounts.
- c) TANGEDCO, Tamil Nadu is demanding E-Tax on Maximum Demand charges and self generation Tax on units generated through windmills/D G sets. The Company has gone for appeal and the same is pending before the Supreme court. An amount of Rs.69,76,111/- towards self Generating Tax and Rs. 24,85,572/- towards E-tax payable on MD is pending as on 31.03.2017 and shown as liability in the books of accounts.
- d) Export obligation against the import licenses taken for import of capital goods under the Export Promotion Capital goods Scheme is Rs.3987 lakhs. The duty implication involved is Rs 1061 lakhs.
19. Power charges shown in the statement of profit and loss account is net of wind energy charges to the extent of Rs. 203.44 adjusted by TNEB.
20. Corporate Guarantee has been given by Sri Kannapiran Mills Limited to Indian Overseas Bank on behalf of KG Fabriks Limited to secure their loan to the extent of Rs. 2000 lakhs(Outstanding as on 31.03.2017 - Rs. 1266.16 lakhs)

Sri Kannapiran Mills Limited

21. Disclosure required under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) are given below:

		31.03.2017	31.03.2016
a)	Principal amount due	-	-
	Interest due on above	-	-
b)	Interest paid during the period beyond the appointed date	-	-
c)	Amount of interest due and payable for the period of delay in making payment without adding the interest specified under the Act	-	-
d)	Amount of interest accrued and remaining unpaid at the end of the period	-	-
e)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to small enterprise for the purpose of disallowance as a deductible expenditure under sec 23 of the Act	-	-

22. Details of Foreign Currency Exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Currency	Amount in Foreign Currency		Amount in Rupees	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
Sundry Debtors	USD	90 967	2 99 793	58 69 637	2 04 55 739
Sundry Creditors	EURO	5 24 368	Nil	18 00 815	Nil

23. In the opinion of the Board of Directors, assets other than fixed assets and non current investments have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

24. **Details of Miscellaneous expenses :**

(Rs. In Lakhs)

	31.03.2017	31.03.2016
Printing & Stationary	13.43	14.95
Postage & Telephone	15.33	16.05
Subscription, newspaper & Advertisement	3.96	4.37
Travelling and maintenance of vehicle	157.83	146.85
Garden maintenance	4.13	5.18
Agriculture expenses	3.44	27.35
Repairs & maintenance - others	34.14	20.19
Donation	-	3.33
General Expenses	1.21	0.35
	233.48	238.63

25. Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year's disclosure / classification

See accompanying notes to the financial statements

In terms of our Report of even date
For M S Jagannathan & Visvanathan
 Firm Regd. No. 001209S
 Chartered Accountants

(Sd/-) M V Jeganathan

Coimbatore
 04th August, 2017

Partner
 Membership No. 214178

(Sd/-) KG Baalakrishnan

Chairman

DIN No : 00002174

(Sd/-) B Sriramulu

Managing Director

DIN No : 00002560

(Sd/-) B Srihari

Managing Director

DIN No : 00002556

(Sd/-) G Krishnakumar

Chief Financial Officer

PERFORMANCE OVER THE YEAR

(Rs. in thousands).....

	For the year ended March 31										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Net Sales											
(less excise duty)	1 32 37 47	1 21 99 36	1 18 07 79	1 25 73 36	1 16 39 75	1 17 31 18	1 26 41 98	1 29 89 89	1 08 40 73	1 18 69 79	
Conversion Charges	30 98 48	27 49 29	27 05 44	27 82 64	32 98 48	37 57 62	48 34 42	52 94 67	58 51 44	57 43 25	
Other Income	1 06 87	1 62 43	3 58 39	90 83	2 17 20	2 15 22	1 81 62	2 50 38	2 42 51	2 29 30	
Profit before Interest and Depreciation	15 68 93	8 56 26	15 71 91	20 65 30	8 97 12	11 16 10	17 49 84	23 07 73	24 55 79	23 27 05	
Financial Charges	7 20 50	8 35 37	9 30 86	10 84 21	10 38 22	10 42 60	10 76 92	11 93 51	10 38 07	8 53 40	
Depreciation	9 51 50	9 70 24	5 87 70	5 89 35	6 00 30	6 15 16	6 28 19	4 34 65	4 42 21	4 55 70	
Profit before Taxation	-1 21 02	-9 49 35	53 35	3 91 75	-7 41 04	-5 41 66S	44 73	6 79 57	9 75 51	10 17 95	
Profit after Taxation	-1 21 02	-9 49 35	53 35	3 91 75	-7 41 04	-5 41 66	44 73	6 79 57	9 70 86	9 99 16	
Gross Fixed Assets	1 43 68 95	1 48 25 11	1 46 38 95	1 47 76 66	1 52 86 80	1 55 95 87	1 58 86 88	1 64 91 08	1 66 15 07	1 63 88 28	
Net Fixed Assets	80 29 93	75 77 57	71 14 35	67 86 06	66 98 99	64 85 17	63 69 42	70 66 48	69 98 68	70 10 37	
Net Current Assets	13 68 08	6 81 98	10 62 22	13 41 77	6 03 94	11 36 75	6 31 51	91 63	1 29 89	5 91 12	
Share Capital	3 68 30	3 68 30	3 68 30	3 68 30	3 68 30	3 68 30	3 68 30	3 68 30	3 68 30	3 63 66	
Reserves & Surplus	38 46 47	31 52 42	32 00 52	34 52 26	29 35 43	25 28 30	25 76 59	30 18 22	36 89 14	43 77 99	
Deferred Tax Liability	9 01 38	6 36 11	5 73 06	7 04 15	4 78 81	3 44 28	3 40 54	5 20 57	8 20 51	11 09 77	
Long Term Borrowings	48 07 85	48 54 35	47 76 93	43 26 20	40 97 49	49 99 62	43 46 68	39 32 57	29 74 96	24 12 00	
Debt Equity Ratio	0.94	1.17	1.16	0.98	1.24	1.39	1.34	1.02	0.73	0.51	
Current Ratio	1.29	1.12	1.19	1.22	1.17	1.21	1.09	1.01	1.02	1.07	



SRI KANNAPIRAN MILLS LIMITED

CIN : U17111TZ1946PLC000188

Registered Office: Sowripalayam, Coimbatore 641 028

Phone 0422 - 3019111 :: Fax 0422 – 3019110

Email: csd@kannapiran.co.in Website : www.kannapiran.co.in

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 71st Annual General Meeting of the Members of SRI KANNAPIRAN MILLS LIMITED will be held on Thursday the 21st day of September, 2017 at Sri Kannapiran Mills Premises, Sowripalayam, Coimbatore 641 028 at 9.30 a.m. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2017 and Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr KG Baalakrishnan (holding DIN 00002174), who retires by rotation and is eligible for reappointment.
3. To appoint the Managing Director in place of Mr B Sriramulu, (holding DIN 00002560), who retires by rotation and is eligible for reappointment.
4. To appoint the Statutory Auditors of the Company, and, if thought fit, to pass the following resolution as an Ordinary Resolution :

“RESOLVED THAT pursuant to provisions of Section 139, 142 and other applicable provisions of the Companies Act, 2013, if any, read with the Companies (Audit & Auditors) Rules, 2014, including any statutory enactment or modification thereof, M/s Gopalaiyer and Subramanian, Chartered Accountants, (Firm Registration No.000960S) be and is hereby appointed as the Statutory Auditors of the Company in place of M/s M S Jagannathan & Visvanathan, Chartered Accountants, (ICAI Regn. No.001209S), the retiring Statutory Auditors and to hold office for a period of 5 years from the conclusion of 71st Annual General Meeting till the conclusion of 76th Annual General Meeting of the Company, subject to ratification by the members at every Annual General Meeting, on such remuneration as shall be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
“RESOLVED THAT the decision to pay a Remuneration of Rs.65,000/- to Mr M Nagarajan, the Cost Auditor of the Company for the year 2017-18, as recommended by the Audit Committee and approved by the Board of Directors, be and is hereby ratified”.
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 (“Act”) and the Rules made there under read with Schedule IV to the Act, (including any statutory modification(s) or re-enactment thereof for the time being in force), Shri K B Nagendra Murthy (DIN : 00359864), who was appointed as an Additional (Independent) Director of the Company by the Board of Directors at its meeting held on 27.03.2017 and whose term of office expires at this Annual General Meeting (‘AGM’) and in respect of whom the Company has received a Notice in writing from a Member alongwith the deposit of the requisite amount under Section 160 of the Companies Act, 2013 proposing his candidature for the office of Director and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 5 (five) consecutive years commencing from 27.03.2017.”

Coimbatore
04.08.2017

By order of the Board

KG BAALAKRISHNAN

Chairman

DIN : 00002174

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a vote instead of himself. The proxy need not be a member of the Company, proxies, in order to be effective, must be received by the Company not less than 48 hours before the meeting.
2. Register of Members and the Share Transfer Book of the Company will remain closed from 15.09.2017 to 21.09.2017 (Both days inclusive).
3. Members are requested to notify any change in their address to Company's Registered Office immediately.
4. As per the green initiative taken by the Ministry of Corporate Affairs, the shareholders are advised to register their e-mail address with the Company to enable the Company to serve documents such as Notice, Annual Report etc., in electronic form.
5. Explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of Special Business is enclosed.

Explanatory statement as required under Section 102(1) of the Companies Act, 2013

Item No. 5

At the Board Meeting held on the 06th February, 2017 after considering the recommendation of the Audit Committee, the Directors have appointed Mr M Nagarajan, Cost Accountant, as the Cost Auditor of the Company for the year 2017-18 on a remuneration of Rs.65,000. Pursuant to the provisions of Section 148 read with the Companies (Audit and Auditors) Rules, 2014, the aforesaid remuneration approved by the Board of Directors is required to be ratified by the Shareholders.

The Ordinary Resolution appearing in the Notice is sought to be passed for this purpose.

None of the Directors is interested or concerned in the passing of the Resolution.

Item No. 6

Shri K B Nagendra Murthy (DIN : 00359864) was appointed as an Additional (Independent) Director of the Company with effect from 27.03.2017 by the Board of Directors. In terms of Section 161(1) of the Companies Act, 2013, Shri K B Nagendra Murthy (DIN : 00359864) holds office upto the date of this Annual General Meeting but is eligible for the appointment as a Director. The Company has received a Notice from a Member in writing along with requisite deposit under Section 160 of the Act, proposing his candidature for the office of Director.

Shri K B Nagendra Murthy (DIN : 00359864) has given a declaration to the Board that he meets the criteria of independence as provided under Section 149(6) of the Act.

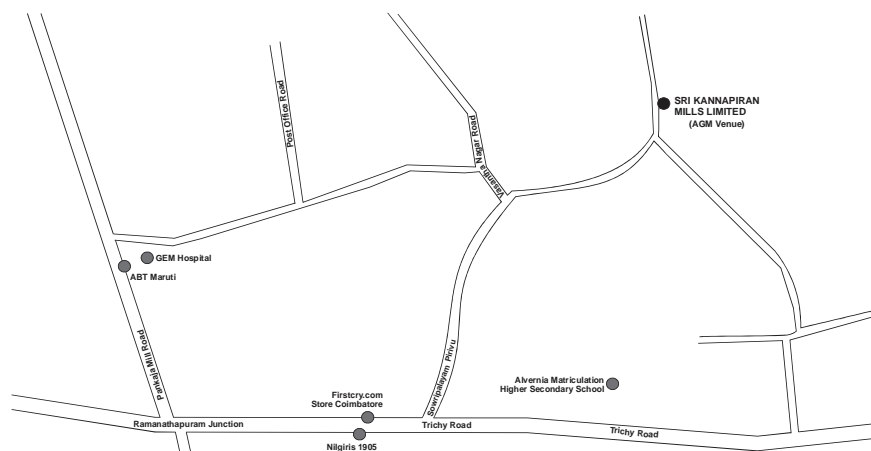
Shri K B Nagendra Murthy (DIN : 00359864) son of Shri K Vasudeva Rao. Accordingly, the Board recommends the passing of the Ordinary Resolution as set out in the Notice of appointment of Shri K B Nagendra Murthy (DIN:00359864) as an Independent Director, not liable to retire by rotation.

Except Shri K B Nagendra Murthy (DIN : 00359864), being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.5.

Coimbatore
04.08.2017

By order of the Board
KG BAALAKRISHNAN
Chairman
DIN : 0002174

Route Map for the AGM Venue





SRI KANNAPIRAN MILLS LIMITED

ATTENDANCE SLIP

CIN : U17111TZ1946PLC000188
Registered Office: Sowripalayam, Coimbatore 641 028
Phone 0422 - 3019111 :: Fax 0422 - 3019110
Email: csd@kannapiran.co.in Website : www.kannapiran.co.in

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL. ONLY MEMBERS OR THEIR PROXIES ARE ENTITLED TO BE PRESENT AT THE MEETING.

Name of the attending Members :	Folio No. :
No. of Shares held :	

I hereby record my presence at the 71st ANNUAL GENERAL MEETING of the Company on 21st September, 2017.

<u>Name of Proxy in Block Letters</u>	<u>Signature of the Shareholder/Proxy*</u>
---------------------------------------	--

**Strike out whichever is not applicable*

Please see address slip for details of Folio No. & No. of Shares

MGT - 11



SRI KANNAPIRAN MILLS LIMITED

PROXY FORM

CIN : U17111TZ1946PLC000188
Registered Office: Sowripalayam, Coimbatore 641 028
Phone 0422 - 3019111 :: Fax 0422 - 3019110
Email: csd@kannapiran.co.in Website : www.kannapiran.co.in

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) :	
Registered Address :	
E-mail ID :	
Folio No. :	

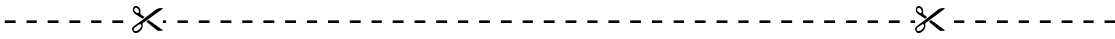
I/We being the member(s) of.....shares of the above named Company, hereby appoint:

- (1) Name Address
- E-mail Id Signatureor failing him/her
- (2) Name Address
- E-mail Id Signatureor failing him/her
- (3) Name Address
- E-mail Id Signatureor failing him/her

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 71st Annual General Meeting of the Company, to be held on Thursday, the 21st day of September, 2017 at 9.30 a.m. at Sri Kannapiran Mills Premises, Sowripalayam, Coimbatore - 641 028 and at any adjournment thereof in respect of such resolutions as are indicated overleaf:

Note:

This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



Item No.	Description	Type of Resolution	I / We assent to the	I / We dissent to the
			For	Against
1.	Consider and adopt audited Financial Statements, Reports of the Board of Directors and Auditors	Ordinary		
2.	Appointment of Mr KG Baalakrishnan who retires by rotation, as a Director	Ordinary		
3.	Appointment of Mr B Sriramulu who retires by rotation, as a Director	Ordinary		
4.	Appointment of M/s Gopalaiyer and Subramanian, as a Statutory Auditor of the Company	Ordinary		
5.	Ratification of Remuneration to Cost Auditor	Ordinary		
6.	Appointment of Mr K B Nagendra Murthy as an Independent Director	Ordinary		

Signed this.....day of.....2017

Member's FolioSignature of Shareholder(s).....

Affix
Revenue
Stamp

Notes:

1. **This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**

****2. This is only optional. Please put a ✓ the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.**

BOOK - POST

To

If undelivered please return to :

SRIKANNAPIRAN MILLS LIMITED

Post Bag No. 1

Sowripalayam

COIMBATORE - 641 028